

# Memorandum

To: Panel Members Date: March 27, 2003

From: Ron Tagami, Manager Analyst: N. Weingart  
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **The Boeing Company, Airlift & Tanker Programs**  
(www.boeing.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace  
Developed Jointly by Management and Workers
- Type of Industry: Manufacturing Aircraft
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 188,000
  - In California: 36,400
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: United Automobile, Aerospace, Agricultural Implement  
Workers of America UAW Local 148 (production worker)

## **CONTRACT:**

- Program Costs: \$2,366,000
- Substantial Contribution: \$0
- Total ETP Funding: \$2,366,000
- In-Kind Contribution: \$4,000,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

**SUBCONTRACTORS:**

Knowledge Performance, Long Beach, California (training, amount to be determined)  
UAW Labor Employment and Training Corporation (UAW LETC), Long Beach, California (\$308,609 for project administration)

**THIRD PARTY SERVICES:**

UAW LETC assisted with the development of the training program and completion of the ETP funding Application. Applicant states that there was no reimbursement for these services.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET00-0282	Long Beach	4/3/00-4/2/02	\$618,300	0	0
ET9-1066	Long Beach	6/4/99-6/3/01	\$760,500	\$354,510	47%
ET9-0916	Palmdale	12/2/98-12/1/00	\$116,480	\$10,192	9%
ET9-0912	Long Beach	11/3/98-11/2/00	\$1,040,000	0	0
ET8-0551	Canoga Park	9/3/97-9/2/99	\$345,800	\$309,816	90%

ET00-0282 (Boeing V commercial): Based on the last Monitoring Report for April 18, 2001, trainees were impacted by business conditions, which resulted in layoffs. Changing business conditions also affected the need for some of the curriculum. The Contractor ultimately terminated the Agreement.

ET9-1066 (Boeing IV military): The final Monitoring Report for March 27, 2001 indicates that the Contractor was not able to reach its training goal due to increased orders for commercial planes, which resulted in fewer individuals than expected being transferred to the military side of the business for which training was designed. Also, some individuals identified for training could not be certified as "export compliant" and, therefore, could not work on military products. Finally, some retrainees who started training were recalled to commercial production and were unable to return to complete the required number of training hours.

The Contractor reports that senior Boeing managers are committed to the completion of the training outlined in this Application. The Contractor declares that the business is more stable now and is not reliant on movement of employees from one area to another. Thus, the previous problems should not develop. In addition, personnel assigned to schedule and monitor the program will provide training in record keeping and closely monitor document completion.

ET9-0916 (Boeing III defense & space): The final Monitoring Report for November 22, 2002 indicates that due to miscommunication with the subcontractor, a substantial amount of the training program was disallowed because it was delivered prior to ETP approval and the beginning term date of the Agreement.

**PRIOR PROJECTS (continued):**

ET9-0912 (Boeing II commercial): This Agreement was terminated on 11/29/99 because the 737 program was terminated resulting in reductions in staff.

**NARRATIVE:**

The Boeing Company, Airlift & Tanker Programs (Boeing) is eligible to provide ETP training under Title 22, California Code of Regulations, Section 4416(b) as a company engaged in manufacturing and meeting out-of-state competition requirements for purposes of Panel funding. The Contractor also meets ETP's funding priorities to develop workers with skills that prepare them for the high performance workplace, to promote the retention and expansion of the state's manufacturing workforce, and to foster proposals developed jointly by workers and management.

The Boeing Company is one of the world's major aerospace firms. One of Boeing's five units, Integrated Defense Systems, encompasses the Airlift & Tanker Programs in Long Beach that designs, manufactures and supports the C-17 aircraft for the military. The C-17 transports extra large and heavy cargo. This aircraft accounts for nearly all of the Airlift & Tanker Programs' revenue. The Long Beach operation, which employs 8,500 workers, was part of the McDonnell Douglas Corporation until 1997 when it merged with Boeing.

This proposed training is designed to maintain the C-17 production facility as a high performance workplace. It is part of a continuing drive to develop employees to direct and manage work to improve quality and reduce costs. The company reports that ten years ago, if an employee had an idea for an improvement in the production process, it went to an engineer or manager who decided the merits and then worked on the project. Today, the company wants the hourly person to work on problems and lead projects to implement solutions. Also, the jobs of blue-collar, technical and administrative workers are merging. Ten years ago, the company had one manager for every six employees; today the ratio is one manager for every 20 employees. This means that frontline workers not only have to perform the technical aspects of their jobs, but must also be accountable for planning and managing their own work. Workers must now routinely do management-level tasks as part of self-directed work teams. Employees are expected to do more and more with less and less supervision.

To date, Boeing has concentrated on broadening the skills and responsibilities of small teams of employees. While there is a continuing need to do this, the company also wants to develop the skills of lower level employees to work on higher-level solutions requiring project management, change management and leadership. Boeing wants its frontline workers to manage larger projects and programs within the company, areas that were once limited to managers and executives. Today, hourly workers must be able to identify problems and lead projects to implement solutions.

Hence, production workers, production coordinators, and program managers will be trained in teambuilding and project management via three **Continuous Improvement** initiatives included in the curriculum.

**NARRATIVE (continued):**

Teambuilding (primarily for hourly production workers) includes team skills, problem solving, team roles, troubleshooting processes, collecting data, analyzing, and presentations. Self-directed work teams will be taught by team leaders and are intended to re-charge and re-focus employee involvement. This is especially important for the C-17 operations, because the workforce has changed in the last two to four years as workers from the 717 commercial airline have reverted to C-17 jobs.

“Creating Champions of Change” (primarily for production coordinators and program managers) will provide skills needed to lead positive change. Courses include changing organizational culture, creating and leading teams, process for leading change, tools for leading change, and infrastructure for leading change. To reinforce ETP classroom training, trainees will carry out a change project on-the-job at the company’s expense. By creating a new generation of leaders with knowledge and enthusiasm to accomplish change, the company can continue to build aircraft efficiently and competitively.

Finally, Project Management training (also primarily for production coordinators and program managers) will encompass Boeing project management systems, planning, execution, control, configuration management, project tools, cost control scheduling, systems engineering, procurement, scheduling, and risk analysis and decision-making. These courses will help employees better manage more complex projects and relationships.

The company and its subcontractor, UAW Labor Employment and Training Corporation, will administer the Agreement.

**Supplemental Nature of Training**

Boeing currently provides new employee orientation, safety, computer system training, personal computer skills, technical production skills, and courses in engineering processes. The last ETP Agreement offered training in several Production Techniques and one, 8-hour module entitled Employee Involvement Overview, a course that Boeing continues to provide as an introduction to teamwork.

This new training proposal is an expansion of what Boeing has done in the past in terms of the depth of training and the number of people it hopes to reach. Employee involvement in team training is a new phase in an ongoing effort to maintain and improve the functioning of work teams. The change management and project management training programs are new to the company.

Funds from ETP will be used to augment the company’s training budget to allow training to take place on an accelerated timetable and reach more employees than would be possible without ETP assistance. In addition, since there has been some turnover in the workforce, this program will serve a new audience that has not received any employee involvement or teambuilding training in the past.

At the conclusion of the ETP Agreement, Boeing plans to continue to provide as much employee involvement training as possible.

**In-Kind Contribution**

Boeing’s in-kind contribution to this program is approximately \$4,000,000 in trainee wages and benefits while in training.

**COMMENTS:**

All participants in this project meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400(ee).

**PROPOSED ACTION:**

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets the Panel priorities. This recommendation is based on Boeing's stated need to provide its employees with skills to maintain a high performance workplace environment to enhance the company's ability to remain competitive, to grow, and to continue to meet or exceed customers expectations.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Retrainee Jobs 1-3	Continuous Improvement	2,150	50-200	0	0	\$650-\$2,600	\$15.29-\$40.38
						<b><u>Range of Hourly Wages</u></b>	
						\$15.29-\$40.38	
						<b><u>Prevalent Hourly Wage</u></b>	
						\$26.55	
						<b><u>Average Cost per Trainee</u></b>	
						\$1,100	
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b>	
Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					13%	0%	

**The Boeing Company**  
**Airlift & Tanker Programs**  
**Curriculum**

Class/Lab Hours  
50-200

**Continuous Improvement**

Trainee may receive any of the following:

**Teambuilding**

Team skills  
Problem solving  
Team roles  
Troubleshooting processes  
Collecting data  
Analyzing  
Presentations

**Champions of Change**

Changing organizational culture  
Creating and leading teams  
Process for leading change  
Tools for leading change  
Infrastructure for leading change

**Project Management**

Project management  
Planning  
Execution  
Control  
Configuration management  
Project tools  
Cost control  
Systems engineering  
Procurement  
Scheduling  
Risk analysis and decision-making